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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs Pursuant to Decision 16-01-044, and to Address Other Issues Related to Net Energy Metering.	Rulemaking 20-08-020 (Filed on August 27, 2020)

OPENING COMMENTS OF THE COUNTY OF LOS ANGELES ON PROPOSED DECISION REVISING NET ENERGY METERING TARIFF AND SUBTARIFFS

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TABLE OF CONTENTS

TABLE OF AUTHORITIES

Commission Rules of Practice and Procedure

Rules of Practice and Procedure

I. INTRODUCTION

Pursuant to Rule 14.3 (a) of the California Public Utilities Commission ("Commission") and the Proposed Decision *Revising Net Energy Metering Tariff and Subtariffs* ("Proposed Decision" or "PD") dated November 10, 2022, the County of Los Angeles (the "County") respectfully submits Opening Comments. The Commission issued an initial PD on December 13, 2021, and formally withdrew that PD on November 10, 2022, based on the Comments and Reply Comments filed in response to the December 13, 2021, PD. A new PD was subsequently issued on November 10, 2022.

As California's largest county and the home of half of the State's disadvantaged community (DAC) population,[1] Los Angeles County is deeply concerned with how the upcoming Net Energy Metering (NEM) tariff transition will directly impact vulnerable communities. In particular, the County is concerned with impacts on the pace at which distributed renewable energy projects are deployed, particularly in low- and medium-income communities and DACs. While Senate Bill (SB) 100 sets a goal of 100 percent carbon-free electricity by 2045, the California Energy Commission (CEC) 2021 SB 100 Joint Agency Report explains how "sustained record-setting build rates will be required to meet SB 100" and that solar and wind build rates need to nearly triple to achieve the 2045 target.[2] In 2019, the Los Angeles County Board of Supervisors adopted the Our County Sustainability Plan which is consistent with SB100 and establishes as a goal to achieve a Fossil Fuel Free LA County, .[3] Distributed generation plays a key role towards the County's sustainability goals and the successor NEM tariff structure should help the County and state to achieve their renewable energy goals.

The County also has a keen interest in avoiding an abrupt transition in NEM rate structures that could lead to reduced adoption and thereby job losses throughout California. There are approximately 70,000 people employed in the California solar industry.[4] Assuming that solar jobs are distributed in proportion to local populations, approximately 18,000 of them are residents of Los Angeles County. The County supports a gradual transition that will allow the solar industry to

[1] CalEnviroScreen 4.0, https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40
[2] 2021 SB 100 Joint Agency Report Summary
[3] OurCounty, Los Angeles Countywide Sustainability Plan
[4] Interstate Renewable Energy Council, California Solar Fact Sheet: Solar Jobs Census 2020, https://irecusa.org/resources/california-fact-sheet-solar-jobs-census-2020/.

adapt to change thereby ensuring continued growth of distributed generation in California. Continued growth of distributed generation will support the economic vitality of the County and the state and is necessary for the achievement of the County and the state's greenhouse gas goals.

II. THE COUNTY COMMENDS THE COMMISSION FOR RE-ISSUING A PROPOSED DECISION THAT INCREASES EQUITABLE ADOPTION OF DISTRIBUTED GENERATION

The County applauds the Commission for re-issuing a PD that aligns more accurately with current market conditions and supports increased equity adoption.[5] Removing the Grid Participation Charge and keeping the original non-bypassable charges will assure customers that there are no additional fees when considering investing in distributed energy generation projects. The County also appreciates the Commission's attention to the matter of fixed charges within R.22-07-005 (Rulemaking to Advance Demand Flexibility Through Electric Rates). The County supports reformation of fixed charges and believes a careful and deliberate focus on the issue is essential to finding a structure that best achieves California's policy goals. Lastly, the County commends the Commission of proposing an increased adder that aligns the payback period for low-income residential customers with those of higher income residential customers.

III. THE FEDERAL INFLATION REDUCTION ACT (IRA) MAY FURTHER ENTRENCH INEQUALITIES IN DISTRIBUTED GENERATION INSTALLATION WITHOUT APPROPRIATE ACTION FROM THE COMMISSION

As demonstrated by the NEM 2.0 Lookback Study and correctly noted in the PD, low-income customers have benefited less from distributed generation than moderate- or higher-income residential customers due to various barriers,[6] and non-participating customers have in fact been disproportionately harmed by NEM 2.0.[7] It is therefore very important to structure the NEM Tariff to be at least as accessible to low-income customers as to wealthier individuals.

The NEM Tariff Modeling Assumptions (Appendix B of the PD) include "30 percent federal Investment Tax Credit (ITC) was modeled for all systems based on the Inflation Reduction Act." While many distributed generation installations will benefit from a 30 percent tax credit, low-income homeowners are unlikely to see this benefit, resulting in further inequity in distributed

[5] Proposed Decision, Appendix B, Modeling Inputs and Results
[6] Proposed Decision, page 167
[7] Proposed Decision, page 39

generation installation. Section 13302 of the IRA extends the 30 percent tax credit for residential clean energy expenditures, found in 26 U.S.C. § 25D, from 2022 through 2032 with reduced tax credits starting in 2033.[8] Although this extension of 10 years will undoubtedly help increase residential clean energy installations—now inclusive of qualified battery storage technology expenditures—the nonrefundable individual tax credit will only be accessible to moderate or wealthy households who owe federal income tax. As a non-refundable credit, 26 U.S.C. § 25D credits received cannot exceed the amount of taxes owed.[9] If the PD incorrectly applied the full 30 percent tax credit for low-income, the Commission should consider the average taxes paid by California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA)-enrolled customers and recalculate the appropriate low-income Avoided Cost Calculator (ACC) Plus Adders ($/kWh) and payback periods. Failure to appropriately take into account the disproportionate tax benefits for wealthy and moderate-income households as opposed to lower income households in the Net Billing Tariff will exacerbate the equity gap.

IV. THE ACC PLUS ADDER SHOULD BE PROVIDED TO NONRESIDENTAL CUSTOMERS THAT PAIR WITH STORAGE TO SUPPORT CALIFORNIA'S ENERGY DEMAND DURING CRITICAL PERIODS

The Commission should consider providing an ACC Plus Adder for nonresidential customers that pair solar with storage systems. First, failing to provide a glide path for nonresidential customers will result in an immediate cliff for the solar industry. As described above, the County supports gradual reforms that allow the solar industry to adjust to change and continue to grow throughout the transition. Dramatic immediate changes run the risk of causing upheaval that could lead to job losses and jeopardize achievement of climate goals. Second, because the PD does not provide a glide path for nonresidential customers, it results in cost shifting from residential to nonresidential customers and violates principles of cost allocation between customer classes.[10] As the County understands it, the PD is proposing that all customers, including nonresidential customers, pay the cost for adders but does not provide nonresidential customers the benefit of any adder amount.

[8] IRA sections 13102 and 13702 allow 30% investment tax credits for installation of distributed generation, but these credits are for commercial actors rather than individual homeowners adding distributed generation to their own residences.

[9] US Tax Code 26 USC 25D

[10] Cal. Pub. Util. Code § 739.6 ("The commission shall establish rates using cost allocation principles that fairly and reasonably assign to different customer classes the costs of providing service to those customer classes…")

Finally, nonresidential customers, particularly commercial and industrial (C&I) customers, have not installed solar capacity at the same rate as residential customers[11] and typically have greater space capacity to install larger solar and storage systems. California can build a stronger and more resilient energy system by incentivizing nonresidential customers to install storage systems that can support California's grid during large peak demand periods. California's electricity peak demand reached an all-time record of 52,061MW on September 6, 2022.[12] With the shift toward electrification through the phase out of new gasoline-powered vehicles[13] and natural gas appliances, there will be even greater demand on the electric grid in the future. The Commission should continue to strengthen California's energy resiliency by relying on additional nonresidential solar plus storage installations, which are more cost-effective than residential solar plus storage installations.[14]

V. THE PROPOSED PLAN TO EVALUATE THE EFFECTIVENESS OF THE SUCCESSOR TARIFF IS INSUFFICIENT.

The PD lays out a plan to evaluate the successor tariff that involves a draft evaluation by year four at the earliest of successor tariff implementation.[15] This is entirely too long to wait to evaluate the effectiveness of the Net Metering Tariff. A key component of the Net Metering Tariff is the glide path which slowly ramps down over five years to support a gradual transition from NEM 2.0 to the new system. The PD proposes to wait until the glide path is completed or nearly so before considering whether the successor tariff is performing as hoped. While the County appreciates and supports the glide path approach, as described above, the County has significant concerns about exactly how the glide path has been structured, particularly as it relates to effects on low-income customers, nonresidential customers, and job impacts.

As the County articulated in its June 10, 2021 Comments, to ensure the effectiveness of the Net Metering Tariff, the Commission should consider stepping down the glide path adder based on achievement of certain threshold amounts of distributed generation, rather than stepping down annually regardless of the effects of the successor tariff on distributed generation.[16] However, in

[11] NREL, 2021 Solar Industry Update, page 18
[12] California ISO Peak Load History 1998 through 2022
[13] Executive Order N-79-20
[14] Proposed Decision, Tables 9 and 10
[15] Proposed Decision, page 189
[16] LAC, Opening Comments on ALJ Ruling to Take Comment on Limited Basis, page 3

the alternative, the Commission should not wait until the glide path has nearly run its course before evaluating its effectiveness. The County urges the Commission to evaluate the new tariff after only two years of data collection, which would allow time for the Commission to extend or adjust the glide path before it has completed. In addition, the County recommends that the Commission evaluate the effect of the Net Metering Tariff on jobs in the distributed generation industries as well as evaluating equity, affordability, and grid benefits.

VI. CONCLUSION

The County of Los Angeles appreciates the opportunity to provide Opening Comments for the Commission's consideration and respectfully requests the Commission consider its Comments.

Respectfully submitted,

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